

# Fiscal Note

*Fiscal Services Division*



---

**SF 2272** – Enhanced 911 Emergency Communications (LSB 6024SV)  
Analyst: Jennifer Acton (Phone: 515-281-7846) (jennifer.acton@legis.state.ia.us)  
Fiscal Note Version – CORRECTED

---

## **Description**

**Senate File 2272** relates to the enhanced 911 (E911) emergency communications systems. This Bill increases the E911 surcharge from \$0.65 per phone, per month to \$1.00. The Bill also repeals the voter-approved alternative wireline surcharge of up to \$2.50 per month for a 24-month period.

## **Background**

### **Wireless**

The \$0.50 per phone, per month, E911 wireless surcharge began on January 1, 1999. The surcharge was amended to \$0.65 per phone, per month on July 1, 2004.

There are approximately 2.2 million cell phone subscribers in Iowa. The average quarterly amount generated by the surcharge is \$4.3 million, and the average quarterly amount expended is \$3.5 million. This surcharge is collected by the wireless service providers and remitted to the State E911 program on a quarterly basis. The funds are used for the development and ongoing operation of the wireless E911 phone network. By law, the surcharge is expended quarterly in the following order:

- \$50,000 per calendar quarter to fund salaries for 2.0 FTE positions and provides funding for the State Auditor to perform an annual audit of the Program. (Intent language in **HF 2335** (FY 2013 Justice System Appropriations Bill) increases this amount to \$62,500 per quarter.)
- Allocates a reimbursement to wireless carriers for Phase 1 cost recovery up to 21.0% of the collected funds (callback number and tower location of call).
- Allocates a reimbursement for actual wireline transport costs for local carriers. This amount is a reimbursement to telephone companies for the actual costs of transporting the wireless E911 call from the selective router to the Public Safety Answering Point (PSAP).
- Allocates a reimbursement for actual automated location information for the 911 database and routing charges for local carriers. This amount is a reimbursement to companies that provide Automatic Location Information (ALI) database services and selective routing.
- Allocates 25.0% of the collected funds to the PSAPs. The distribution is based on a formula: 65.0% of the total is based on the square mileage of the local 911 service area and 35.0% of the total is based on the volume of the wireless E911 calls that the PSAPs receive with a minimum of \$1,000 per PSAP, per calendar quarter. There are currently 117 PSAPs in Iowa.
- The remainder is deposited in a nonreversionary fund to be used for future work on the Phase 2 network as well as PSAP upgrades and improvements. The current wireless E911 System cannot deliver text messages, video, or photographs to the PSAPs. Approximately \$8.9 million is in the Carryforward Fund to be used for recurring and nonrecurring costs of the

PSAPs associated with hardware and software for the new Next Generation 911 (NG911) Program to allow the implementation of NG911 under the current \$0.65 per phone, per month fee structure.

The funds allocated to the PSAPs under the formula are to be used for communication equipment located inside the PSAP for implementation and maintenance of the wireless E911 Phase 2 network. If money remains in the Fund after fully paying all obligations, the remainder may be accumulated as a carryover operating surplus. The surplus will be used to fund future Phase 2 network and PSAP improvements and wireless carrier transport costs related to wireless E911 services, if those costs are not otherwise recovered by wireless carriers through customer billing or other sources and approved by the program manager. (Iowa Code section [34A.7A](#)(2)(f)(3) and [34A.7A](#)(2)(f)(3)(g))

On September 30, 2009, Iowa was allocated \$1.3 million in one-time federal grant money for NG911. The grant was awarded by the U.S. Department of Transportation's Highway Traffic Safety Administration and the U.S. Department of Commerce's National Telecommunications and Information and Administration. The federal funds must be expended by September 30, 2012. The grant requires a 50/50 State match. The match comes from the Wireless Carryover Fund per Iowa Code section [34A.7A](#)(3)(g). Remaining funds in the Carryover Fund will be used to pay additional network costs until the old network is disconnected. The two networks will run in tandem for approximately six months until the new network can be completely tested which is estimated to be September 2012.

## **Wireline**

To implement service, the joint E911 service board must fund the recurring and nonrecurring costs of the system with an E911 surcharge on each telephone access line within the E911 service area. To impose the surcharge, a referendum must be passed by a simple majority of the voters within the service area. The amount of the surcharge to be placed on the referendum is determined by a statutory formula and can vary from \$0.25 to \$2.50 per month, per telephone access line (Iowa Code section [34A.6A](#)). The \$2.50 can only be in place for 24 months and then the surcharge reverts to the original surcharge collected. All increases beyond \$1.00 require a voter referendum for each 24-month period. Each telephone service provider remits collected surcharge funds directly to the respective joint E911 service board on a calendar quarterly basis.

As of April 8, 2011, the surcharge was being collected by the service boards at the following rates:

- Surcharge = \$1.00 in 81 counties
- Surcharge < \$1.00 in 15 counties
- Surcharge > \$1.00 in 2 counties
- Surcharge = \$0.00 in 1 county

The Scott County surcharge is \$0.00. Since 2004, only three counties have exceeded the \$1.00 surcharge amount. From 2004 to present, the Washington County surcharge has been \$1.50. From 2006 through 2009, Mitchell County's surcharge was \$2.50 and is currently \$1.00. Beginning in FY 2010, Shelby County's surcharge was \$2.50.

Money from the wireline surcharge is used for recurring and nonrecurring costs to the system. Nonrecurring costs include, but are not limited to, network equipment for the PSAPs, software, database, addressing, initial training, and other capital and start-up expenditures, including the purchase or lease of subscriber names, addresses, and telephone information from the local exchange service provider. Recurring costs include, but are not limited to, network access fees and other telephone charges, software, equipment, and database management, and maintenance, including the purchase or lease of subscriber names,

addresses, and telephone information from the local exchange service provider. Recurring costs cannot be used for personnel. Personnel costs are paid from county or city funds, depending on the PSAP.

## **Assumptions**

### **Wireless**

1. The estimates are based on six calendar quarters of data beginning with the third Calendar Quarter report 2010 (July – September 2010) through the fourth Calendar Quarter report 2011 (October – December 2011).
2. The average amount of revenue generated per calendar quarter is \$4.3 million.
3. The estimated number of cell phone subscribers in Iowa is 2.2 million.
4. The administration number used for the fiscal impact is current law (\$50,000 per quarter).
5. The average amount billed for wireless carrier cost recovery is \$692,000 per quarter, and the average amount generated under the formula at 21.0% of the total is \$903,000 per quarter. The difference is included in the Carryover Fund balance. The average amount deposited in the Carryover Fund is \$211,000 per quarter.
6. The average amount reimbursed for actual wireline transport costs for local carriers is approximately \$278,000 per quarter.
7. The average amount reimbursed for the ALI database services and selective routing is approximately \$1,430,000 per quarter.
8. The average amount distributed among the 117 PSAPs is approximately \$1.1 million per calendar quarter.
9. The fiscal impact assumes the current formula under Iowa Code section [34A.7A](#)(2).

### **Wireline**

1. The surcharge appears on the ballot in November and is approved for a 24-month period.
2. The wireline provider has 100 days to implement the surcharge once notified of the approval.
3. Over a four-year period, the Shelby County wireline surcharge generated an average of \$99,000 at \$1.00 and over a two-year period the surcharge generated an average of \$126,000 at \$2.50, an increase of \$27,000.
4. The 2010 population for Shelby County was 12,167 and the 2000 population was 13,173, a decrease of 1,006.
5. Over a three-year period, the Mitchell County wireline surcharge generated an average of \$62,000 at \$1.00 and over a three-year period, the surcharge generated an average of \$86,000 at \$2.50, an increase of \$24,000.
6. The 2010 population for Mitchell County was 10,776 and the 2000 population was 10,874, a decrease of 98.

## **Fiscal Impact**

There is no impact to the State General Fund.

Increasing the E911 Wireless Surcharge from \$0.65 to \$1.00 will generate an estimated additional \$2.3 million per calendar quarter or \$9.2 million per year. Of the total surcharge amount generated, 21.0% of the revenue is used for wireless carrier cost recovery. Under the current formula, billings are less than 21.0% of the total, so the excess is deposited in the Carryover Fund. Under the new surcharge amount, the excess will be deposited in the Carryover Fund. Under the current formula, the PSAPs receive 25.0% of the total receipts. Under the new surcharge amount, the PSAPs will receive 25.0% of the total receipts for an additional \$575,000 per calendar quarter.

### **Estimated Calendar Quarter Increase Surcharge from \$0.65 to \$1.00 Per Phone, Per Month**

	<b>October - December 2011 (Current Law)</b>	<b>Proposed Change Under SF 2272</b>	<b>Difference</b>
2.2 million subscribers	\$0.65 per phone, per month	\$1.00 per phone, per month	
Surcharge Amount Generated	\$ 4,300,000	\$ 6,600,000	\$ 2,300,000
Administration	50,000	50,000	0
21.0% for wireless carrier cost recovery (Phase 1)	903,000	1,386,000	
Actual Usage	692,000	692,000	
Difference to Carryover Fund	\$ 211,000	\$ 694,000	\$ 483,000
Wireline Transport Costs	278,000	278,000	0
Automated Location Information Costs	1,430,000	1,430,000	0
25.0% for Public Safety Answering Points	1,075,000	1,650,000	575,000
Total Expenditures	\$ 3,525,000	\$ 4,100,000	\$ 575,000
Carryover Fund Total	\$ 775,000	\$ 2,500,000	\$ 1,725,000
NOTE: The difference to the Carryover Fund from the 21.0% Wireless Carrier Cost Recovery is included in the Carryover Fund Total.			

The fiscal impact of repealing the voter-approved alternative wireline surcharge of up to \$2.50 per month for a 24-month period will reduce revenue for a small county by approximately \$25,000 per year.

## **Sources**

Department of Public Defense, Homeland Security and Emergency Management Division  
Department of Management  
U.S. Census Bureau

/s/ Holly M. Lyons

March 19, 2012

---

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the correctional and minority impact statements were prepared pursuant to Iowa Code **section 2.56**. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.